

Message Text

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PAGE 01 TORONT 01553 141406Z
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 ICA-20 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 DODE-00 PA-02 /105 W
-----087825 142112Z /21

R 091955Z AUG 78
FM AMCONSUL TORONTO
TO SECSTATE WASHDC 7621
INFO AMEMBASSY OTTAWA
AMCONSUL MONTREAL
AMCONSUL QUEBEC

UNCLAS TORONTO 1553

E.O. 11652: N/U
TAGS: EINV, ETRD, CA
SUBJ: MEDIA REACTION - AUTO INVESTMENT TALKS

REF: (A) OTTAWA 3919 (B) TORONTO 1512 (NOTAL)

1. SUMMARY - TORONTO "STAR" QUOTES CONFIDENTIAL USG DOCUMENT AS
SAYING THAT GOC IS REFUSING TO ALTER ITS POLICY ON OFFERING INVESTMEN

INCENTIVES TO FOREIGN AUTO MAKERS. END SUMMARY.

2. THE ECONOMIC-NATIONALIST TORONTO "STAR", IN ITS AUG. 9 EDITION,
CARRIES FRONT PAGE STORY BY STAFF WRITER JOE HALL UNDER HEADLINE
"OTTAWA WILL KEEP BIDDING FOR AUTO PACT JOBS, U.S. SAYS." ARTICLE
CITES A "CONFIDENTIAL U.S. GOVERNMENT MEMORANDUM" AS SAYING
THAT DURINGTHERECENT TALKS IN OTTAWA, THE GOC REFUSED TO MAKE
ANY COMMITTMENT THAT IT WOULD NOT REPEAT NOT JOIN FEDERAL/PROVINCIAL
INCENTIVE PROVIDED TO FORT MOTOR CO. TO BUILD ENGINE PLANT IN
ONTARIO. REFERRING TO KATZ/BERGSTEN PRESS CONFERENCE OF AUG. 4,
THE ARTICLE STATES THAT "DISGRUNTLED SENIOR AMERICAN OFFICIALS LEFT
A FALSE IMPRESSION AFTER THE OTTAWA TALKS, STATING AT A
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PRESS CONFERENCE THAT GOC HAD AGREED TO TRY TO END THE
"BIDDING WAR". ARTICLE SAYS THAT THE IMPRESSION GIVEN AT
THE PRESS CONFERENCE WAS THAT "THE (INVESTMENT INCENTIVE)
DESPUTE HAD BEEN SETTLED
IN PRINCIPLE" AND ONLY DETAILS
REMAINED TO BE WORKED OUT. HOWEVER
ACCORDING TO HALL,

THE CONFIDENTIAL U.S. DOCUMENT (NOT OTHERWISE DESCRIBED) MAKES CLEAR THAT OTTAWA IS IN FACT STANDING FIRM. ARTICLE SAYS THAT "DESPITE PRESSURE FROM TREASURY SECRETARY BLUMENTHAL," GOC HAS REFUSED TO WITHDRAW A SIMILAR INCENTIVE OFFER TO GM TO BUILD A PLANT IN QUEBEC.

3. ARTICLE CONTINUES THAT OTTAWA DISAPPROVES OF "BRIBING" WEALTHY CORPORATIONS - "CADILLAC MENDICANTS AS DESCRIBED BY ONE OBSERVER" - BUT SAYS OTTAWA KNOWS THERE IS NOTHING USG CAN DO TO PREVENT U.S. STATES FROM OFFERING INCENTIVES AND THEREFORE REFUSES TO BE "BROWBEATEN" INTO DROPPING ITS INCENTIVES PACKAGES.

4. ARTICLE CONCLUDES BY QUOTING "RELIABLE SOURCES" IN WASHINGTON TO EFFECT THAT USG HAS MADE NO FINAL DECISION ON WHAT COUNTERMEASURES TO TAKE IF GOC CONTINUES TO USE FEDERAL FUNDS TO LURE AUTO INVESTMENTS INTO CANADA. DIGGINS

NOTE BY OC/T: TELEGRAM DELAYED IN TRANSMISSION.

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